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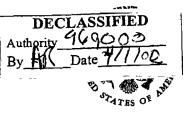
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SUMMARY: IRAN-IRAQ CRISIS OVER SHATT WAS FORCED BY GOI. PROBABLY TO STRENGTHEN IRANIAN LEADERSHIP IN GULF. RISKS OF CONFLICT WERE KEPT LOW. TENSION HAS ABATED. NEGOTIATIONS UNLIKELY SOON BUT IRAN HAS ESTABLISHED NEW RIVER REGIME FOR IRANIAN SHIPS WHOLLY OWNED AND CHARTERED. IRANIAN DETERMINATION TO PRESS FOR "RIGHTS" IN GULF PROBABLY STRONGER.

IO TENSION BETWEEN IRAN AND IRAG OVER SHATT AL ARAB HAS EASED WITH HIGH-LEVEL IRANIAN OFFICIALS CLAIMING "OBJECTIVES" REACHED. ELEMENTS OF DISCORD REMAIN (TROOPS OF BOTH SIDES STILL DEPLOYED. IRAN POSSIBLY STILL STUDYING WAYS TO AFFECT RIVER REGIME FOR THIRD COUNTRY SHIPPING. IRAG STILL MISTREATING AND EXPELLING IRANIANS AND APPARENTLY ENERGIZING KHUZISTAN LIBERATION FRONT) BUT BOTH

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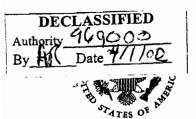
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SIDES SEEM FOR MOMENT AT LEAST NOT TO WISH TO HEAT SITUATION UP AGAIN® EMB OFFERS FOLLOWING COMMENTS ON THIS **CRISIS®**

2. ALTHOUGH IRAGI GOVT IN THIS AS IN OTHER MATTERS HAS BEEN UNDIP-LOMATIC, INSENSITIVE, AND BRUSQUE, CONFRONTATION WAS PRESSED BY IRAN. ISSUE WAS: JOINED BY IRANIAN DENUNCIATION OF 1937 TREATY WHICH TOOK PLACE SOME TIME SHORTLY AFTER ABORTIVE KHALATBARY MISSION TO BAGHDAD (JAN27-FEB.12). (A-173). DIPLOMATIC WORD BATTLE! ENSUED AND: IRAGIS' IRRITATED: IRANIANS' BY HARASSING IRANIAN FISHERMEN IN SHATT AND PARTICULARLY BY SEARCHING TWO IRANIAN RIVER CRAFT SOME TIME IN LATE MARCH (TEHRAN 1770). IRAQIS MADE MAJOR DIPLOMATIC GAFF APRIL 15 BY INDICATING INTENTION TO SEARCH IRANIAN VESSELS: AND TO: RESORT TO USE OF FORCE IF NEEDED TO REMOVE: IMPROPERLY FLOWN IRANIAN FLAG AND IRANIAN NAVAL PERSONNEL FROM MERCHANT SHIPS (NEVER CLEAR JUST WHAT THIS ACTUALLY REFERRED TO IN IRADI MIND) . HOWEVER . IRADI POSITION SEEMS TO HAVE BEEN RATHER TRANSPARENT BLUSTER. WE HAVE NO INDICATION IRAGIS MADE ANY TROOP DISPOSITIONS AT THIS TIME TO LEND FORCE TO WORDS AND IRAGI GOVT HASTENED TO TERM UNFORTUANATE STATEMENT A "MISTAKE" APRIL: 17 (TEHRAN 1399 NOTAL) . IRANIAN GOVT IGNORED RETRACTION AND ISSUED PUBLIC TREATY DENUNCIATION APRIL 19 MOREOVER THROUGHOUT MARCH AND APRILE IRANIAN TRANSFERS OF FORCES INTO KHUZISTAN AREA AND SHATT PORTS PRECEDED IRAGI MILITARY MOVES AND EXCEEDED THEM IN SCALE AND EXTENT.

3. GOI ALMOST CERTAINLY CONSIDERED RISK OF ACTUAL CONFLICT QUITE LOW AND HAD NO INTENTION OF PROVOKING IT. AWARE OF COMMITMENT MOST IRAGI FORCES TO ISRAELI CONFRONTATION AND TO FIGHTING KURDS (AND UNDOUBTEDLY COGNIZANT OF SOME COINCIDENTAL INTENSIFICATION OF KURDISH MILITARY ACTION), GOI FELT, AS SUBSEQUENT EVENTS SHOWED, IRAGIS IN NO POSITION TO ACCEPT MILITARY CHALLENGE. IRANIAN DISPOSITION OF PREPONDERANT FORCES IN LOCAL AREA WAS PROBABLY INTENDED TO PROVIDE ADDITIONAL INSURANCE OF IRAGI INACTION. IT IS ALSO CLEAR THAT, ALTHOUGH IRANIANS TOOK SOMEWHAT RISKY ACTION OF PUTTING ARMED TROOPS ON TWO IRANIAN MERCHANT VESSELS WHICH PROVIDED TEST CASES, ALL IRANIAN FORCES WERE UNDER STRICTEST INJUNCTIONS NEITHER TO PROVOKE IRAGIS NOR TO FIRE EXCEPT IN DEFENSE (QUITE POSSIBLE PARTIALLY IN RESPONSE TO AMBASSADOR'S CAVEAT TO GEN. FASELI).

4. WHAT IS NOT CLEAR IS WHAT IRANIANS AIMED TO ACHIEVE RE SHATT. IT IS OUR DISTINCT IMPRESSION THAT, ALTHOUGH SHATT CRISES IN PAST YEARS GAVE BASES FOR PLANNING AND EXPECTATIONS, IKANIANS HAD NOT



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THOUGHT MATTER THROUGH VERY THOROUGHLY. IN ACTUALITY, SOLE CHANGE THEY HAVE AFFECTED IS TO ESTABLISH NEW RIVER REGIME FOR IRANIAN SHIPS WHOLLY OWNED AND CHARTERED, TO AND FROM IRANIAN PORTS (IRANIAN FLAG ONLY AND IRANIAN PILOT) . POSSIBLY THEY COUNT ON THIS NEW STATUS QUO TO VALIDATE TREATY DENUNCIATION AND HELP FORCE RENEGOTIATION AT FUTURE DATE (FONOFF OFFICIALS HAVE MADE CLEAR THEY DO NOT EXPECT CURRENT IRAGI GOVT TO BE ABLE TO NEGOTIATE). BUT TO GENERATE TELLING PRESSURE ON IRAGIS IN LOCAL CONTEXT OF SHATT IRAN WOULD HAVE TO BRING ABOUT CHANGE OF DE FACTO RIVER REGIME FOR THIRD COUNTRY SHIPPING. FOR TIME BEING THIS HAS FOUNDERED, AS IT DID IN PREVIOUS YEARS, ON LACK OF IRANIAN PILOTS AND SHIPPERS! VIEW OF THEIR INSURANCE PROVISIONS. STILL POSSIBLE IRAN MAY TRY TO DIVERT SOME OR ALL THIS SHIPPING TO NON-SHATT PORTS AND/OR OBTAIN FEW QUALIFIED IRANIAN PILOTS BUT SEEMS UNLIKELY EITHER: OR BOTH COULD BE DONE IN SHORT RANGE OR WITHOUT CONSIDERABLE COST AND EFFORT.

5. NUMBER OF IRAGI ACTIONS AND POSITIONS RECENTLY DOUBTLESS NETTLED IRANIANS: BLATANTLY GIVING IRAGI DIPLOMATIC PASSPORT TO SHAH'S ENEMY NUMBER ONE, GENERAL BAKHTIAR: TAKRITI VISIT OF GULF STATES AND IRAGI PRESS COMMENT ON GULF; SEIZURE AND MISTREATMENT OF IRANIAN CITIZENS SINCE AL-BAKR TAKE-OVER; PUBLISHED ARTICLE ABOUT IRANIAN BACKING OF BARZANI. ALL OF THESE TOGETHER MAY HAVE CONSTITUTED SIGNIFICANT IRRITANT. BUT ON BALANCE, WE DO NOT FIND IRANIAN ACTION FULLY EXPLICABLE IN TERMS OF SHATT DISPUTE. SEEMS LIKELY GOI SEIZED OPPORTUNITY TO ENGAGE IN MUSCLE-FLEXING IN ORDER TO CONVEY TO IRAGIS PARTICULARLY AND POSSIBLY GULF ARAB STATES IN GENERAL THAT IRAN WILL BE DEALING FROM STRONG POSITION IN REGIONAL AFFAIRS.

6. REACTION OF IRANIAN PUBLIC DIFFICULT TO DEFINE. APRIL 19 STATE MENT WAS SPRUNG ON THEM COLD AND THERE HAS BEEN CONSIDERABLE PUZZLEMENT AS TO WHAT IT'S ALL ABOUT. THERE IS GENERAL IRANIAN DISDAIN FOR IRAGIS AND FOR PRESENT DAY IRAQ AS "NON-COUNTRY" AND MOST IRANIANS CONSIDER 1937 TREATY UNFAIR AND DENIGRATING. HENCE. ASSERTIVE IRANIAN POSTURE FOUND CONSIDERABLE MEASURE INITIAL PUBLIC SUPPORT AND CERTAIN AMOUNT IRRESPONSIBLE STATEMENTS ABOUT MARCHING ON IRAQ. INFORMED CIRCLES, HOWEVER, SEEM INCLINED TO BE APPREHENSIVE OVER ANY DANGER OF ARMED CONFLICT FOR WHAT IS REGARDED AS QUITE LIMITED PURPOSE AND AS CONFRONTATION WORE ON THERE WAS SOME TALK OF UNDESTRABLE POSSIBLE COSTS ATTENDING MANEUVERS THEMSELVES AND CERTAINLY ANY ACTUAL MILITARY OPERATIONS.

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MOMENT IRANIAN ATTENTION FOCUSED MOSTLY ON IRAGI MISTREATMENT AND EXPULSION IRÂNIAN CITIZENS AND PRESSURE ON PILGRIMS AND HOLY PLACES. GOI FANNING ISSUE SOMEWHAT BUT IT SEEMS TO BE SUBSIDING.

7. AT THIS STAGE WE HAVE FOLLOWING THOUGHTS ON CONSEQUENCES OF CONFRONTATION: (A) GOT WILL HOLD TO CHANGE OF REGIME FOR IRANIAN SHIPS, WHOLLY OWNED AND CHARTERED. BUT REGARDLELESS OF OUTCOME RE SHATT, IRANIANS WILL CONCLUDE "WE SHOWED THEM," AND THIS MAY LEAD TO MORE MUSCLE-FLEXING. (B) US RELATIONS NOT DAMAGED BY OUR CAUTION TO IRANIANS RE UNDESTRABLE EFFECTS OUTBREAK OF SHOOTING WOULD PRODUCE AND ADVISABILITY OF CONTEMPLATING OTHER CONSEQUENCES. SHAH NO DOUBT REASSURED REGARDING BASIC US POLICY BY APPROVAL OF 1969 MILITARY CREDIT SALE WHICH FOLLOWED CONFRONTATION. (C) QUITE POSSIBLE IRANIAN BEHAVIOR MAY ADD TO RISKS SOVIETS WOULD FORESEE IN BACKING RADICAL ARAB PROXY FORCES IN GULF AREA AND THUS INCREASE SOMEWHAT DETERRENCE OF SUCH INTRUSION.

GP-3. THACHER

STEPE M. C.